



UNIVERSITY OF DELAWARE

Statements of State of Delaware General, Capital Improvement, and
Agency Funds Appropriated, Received, and Expended, and Supplemental Data

June 30, 2007

(With Independent Auditors' Report Thereon)

UNIVERSITY OF DELAWARE

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Independent Auditors' Report

The Board of Trustees
University of Delaware:

We have audited the accompanying statement of State of Delaware general funds appropriated, received and expended; the statement of State of Delaware capital improvement funds appropriated, received and expended; and the statement of State of Delaware agency funds appropriated, received and expended of the University of Delaware (the University) for the year ended June 30, 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statement of State of Delaware general funds appropriated, received and expended; the statement of State of Delaware capital improvement funds appropriated, received and expended; and the statement of State of Delaware agency funds appropriated, received and expended were prepared on the basis of cash receipts and disbursements and in accordance with the procedures of the State of Delaware, and are not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the appropriated general, capital improvement and agency funds received from the State of Delaware and the expenditures therefrom by the University of Delaware for the year ended June 30, 2007, on the basis of accounting described in the preceding paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the year ended June 30, 2007, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in the second preceding paragraph.

KPMG LLP

November 15, 2007

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Trustees
University of Delaware:

We have audited the consolidated financial statements of the University of Delaware (the University) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Over Financial Reporting

In planning and performing our fiscal year 2007 audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of the University's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated November 5, 2007.

This report is intended solely for the information and use of the Board of Trustees and management of the University of Delaware, pass-through entities and the Governor, Attorney General, Controller General, Budget Director, Department of Finance and the Auditor of Accounts of the State of Delaware, and is not intended to be and should not be used by anyone other than these specified parties. However, under Del C., Section 10002(d) this report is a public record and its distribution is not limited.

KPMG LLP

November 15, 2007

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Appropriated, Received and Expended

Year ended June 30, 2007

	Cash balance on hand at beginning of year	Appropriations received	(a) Expended	Returned to State of Delaware	Cash balance on hand at end of year
Current funds:					
Government appropriations – State:					
General Operations	\$ —	97,104,600	97,104,600	—	—
Information Technology Partnership	—	2,493,500	2,493,500	—	—
Title VI Compliance	—	1,644,600	1,644,600	—	—
Poultry Disease Research	—	1,089,900	1,089,900	—	—
Cooperative Extension	—	1,061,500	1,061,500	—	—
Math/Science Education for Delaware Teachers	—	798,900	798,900	—	—
Biotechnology	—	719,900	719,900	—	—
Agricultural Experimental Station	—	634,500	634,500	—	—
Sea Grant Program	—	548,000	548,000	—	—
Agricultural Research & Education Center	—	530,800	530,800	—	—
Molecular Biology/Biotechnology Program	—	490,000	490,000	—	—
Public Service Assistantships	—	444,000	444,000	—	—
Delaware Center for Teacher Education	—	439,300	439,300	—	—
Early Learning Center	—	415,100	415,100	—	—
Soil Testing/Pesticide Control	—	374,200	374,200	—	—
Crop Extension	—	373,000	373,000	—	—
Center for Translational Cancer Research	—	360,000	360,000	—	—
Carvel Research & Education Center	—	353,800	353,800	—	—
Software Licenses Support	—	314,600	314,600	—	—
Nursing Program Expansion	—	307,500	307,500	—	—
Biotechnology Institute	—	306,900	306,900	—	—
Coastal Community Development	—	300,000	300,000	—	—
Diversity Enhancement	—	287,300	287,300	—	—
Educational Management & Government Training	—	264,100	264,100	—	—
Nurse Practitioner	—	263,900	263,900	—	—
Center for Community Development & Family Policy	—	256,500	256,500	—	—
Local Government Research	—	234,200	234,200	—	—
Clinical Instruction in Teacher Education	—	234,100	234,100	—	—
Delaware Education Research/Development Center	—	231,200	231,200	—	—
Undergrad Multimedia Instruction	—	200,000	200,000	—	—
Service Learning Scholarships	—	200,000	200,000	—	—
Agricultural Environmental Quality	—	199,100	199,100	—	—
Associate in Arts Degree	—	166,800	166,800	—	—
Science Engineering & Technology Service Program	—	153,500	153,500	—	—
Delaware Research Scholars Program	—	150,000	150,000	—	—
Diagnostic Poultry Service	—	149,500	149,500	—	—
Student Employment Program	—	136,900	136,900	—	—
Urban Agent Program	—	132,900	132,900	—	—
Secondary Clinical Teacher Education	—	125,000	125,000	—	—
Milford Professional Development School	—	115,300	115,300	—	—
Early Childhood Education	—	112,000	112,000	—	—
Improved Campus Security	—	100,000	100,000	—	—
Computer Aided Arts & Science Instruction	—	100,000	100,000	—	—
Civics Education for Teachers	—	100,000	100,000	—	—
The College School	—	90,000	90,000	—	—
Research on School Finance Issues	—	88,800	88,800	—	—
Computer Aided Math Instruction	—	80,000	80,000	—	—
Library Automation	—	52,000	52,000	—	—
Study Abroad	—	50,000	50,000	—	—
Graduate Education – Southern Delaware	—	36,600	36,600	—	—
	—	115,414,300	(a) 115,414,300	—	—
Government appropriations – State scholarships:					
General Scholarships	—	2,901,300	2,901,300	—	—
Scholarship Fund	—	2,366,600	2,366,600	—	—
Aid to Needy Students	—	1,831,500	1,831,500	—	—
Delaware Scholars Program	—	200,000	200,000	—	—
Academic Incentive Program	—	114,600	114,600	—	—
	—	7,414,000	7,414,000	—	—
Grand total current funds	\$ —	122,828,300	(a) 122,828,300	—	—

Note:

- (a) In addition to general appropriated funds received, the State of Delaware provided 50% of Worker's Compensation insurance coverage for the University with an estimated premium value of \$695,000. The State of Delaware also provided auto, fire and other insurance coverage with an estimated premium value of \$827,000.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Capital Improvement Funds Appropriated, Received and Expended

Year ended June 30, 2007

	<u>Cash balance on hand at beginning of year</u>	<u>Appropriations received</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Plant funds – capital improvements:					
Act of 2005	\$ 55,401	—	55,401	—	—
Act of 2007	—	4,500,000	4,500,000	—	—
Grand total plant funds	<u>\$ 55,401</u>	<u>4,500,000</u>	<u>4,555,401</u>	<u>—</u>	<u>—</u>

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Agency Funds Appropriated, Received and Expended

Year ended June 30, 2007

	<u>Cash balance on hand at beginning of year</u>	<u>Appropriations received</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Delaware Geological Survey – 2006/2007:					
Salaries and wages	\$ 1,696	1,302,180	1,295,074	3,581	5,221
Travel	790	14,059	14,849	—	—
Supplies and expense	19	85,961	85,980	—	—
Federal cooperative program	—	176,000	171,530	—	4,470
Rivermaster program	14,890	102,700	95,971	—	21,619
State boundaries	2,225	—	—	—	2,225
Drill rig	170,000	—	170,000	—	—
	<u>\$ 189,620</u>	<u>1,680,900</u>	<u>1,833,404</u>	<u>3,581</u>	<u>33,535</u> (a)

The Delaware Geological Survey is a separate State agency under the general charge and direction of the University of Delaware, and therefore, the Delaware Geological Survey appropriations are not included in the Statement of State of Delaware General Fund Appropriated, Received and Expended.

Notes:

- (a) At June 30, 2007, the ending balance consisted of \$2,225 in funds that are to be carried over for the State Boundaries Program and \$31,310 in encumbered funds.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Notes to the Statements of State of Delaware General Funds Appropriated, Received and Expended;
State of Delaware Capital Improvement Funds Appropriated, Received and Expended; and
State of Delaware Agency Funds Appropriated, Received and Expended

Year ended June 30, 2007

(1) Summary of Significant Accounting Policies

Basis of Presentation

The statement of State of Delaware general funds appropriated, received and expended; the statement of State of Delaware capital improvement funds appropriated, received and expended; and the statement of State of Delaware agency funds appropriated, received and expended by the University of Delaware were prepared on the cash basis of accounting, and accordingly, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Schedule 1

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures

Year ended June 30, 2007

Education and general:	
Instruction	\$ 50,028,554
Research	6,914,365
Public service	6,032,853
Academic support	16,983,602
Student services	3,478,630
Operation and maintenance of plant	20,220,311
Institutional support	9,926,860
Student aid – scholarships	7,414,000
Title VI compliance scholarships	1,626,600
Service learning scholarships	25,000
Student employment program	127,525
Study abroad – Delaware residents	50,000
Total	<u>\$ 122,828,300</u>

See accompanying independent auditors' report.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures by Function

Year ended June 30, 2007

	Total	Wages and benefits	Other
Educational and general:			
Instruction:			
College of Agriculture and Natural Resources	\$ 1,944,614	1,849,730	94,884
College of Arts and Science	16,218,706	16,037,704	181,002
Lerner College of Business and Economics	1,547,179	1,546,799	380
College of Human Services, Education and Public Policy	5,687,332	5,258,730	428,602
College of Engineering	1,969,764	1,960,511	9,253
College of Health Sciences	3,676,576	3,676,396	180
College of Marine & Earth Studies	498,257	498,257	—
Intercollegiate Athletics/Recreation	68,921	68,921	—
Division of Professional and Continuing Studies	539,700	516,199	23,501
Special Instructional Projects	4,009,954	3,604,918	405,036
Benefits	13,867,551	13,867,551	—
	<u>50,028,554</u>	<u>48,885,716</u>	<u>1,142,838</u>
Research:			
Experimental Station	2,247,774	2,246,941	833
Agricultural Experimental Station	588,578	176,375	412,203
Sea Grant Program	418,838	385,968	32,870
Agricultural Research & Education Center	421,948	304,589	117,359
Poultry Disease Research	948,528	417,488	531,040
Center for Translational Cancer Research	291,987	200,580	91,407
Delaware Education Research/Development Center	184,711	152,963	31,748
Carvel Research & Education Center	328,763	48,976	279,787
Benefits	1,483,238	1,483,238	—
	<u>6,914,365</u>	<u>5,417,118</u>	<u>1,497,247</u>
Public service:			
Agricultural Extension Service	2,143,501	1,918,703	224,798
Agricultural Environmental Quality	151,815	142,920	8,895
Soil Testing/Pesticide Control	285,957	252,112	33,845
Public Policy	1,613,199	1,462,110	151,089
Public Service Assistantships	427,578	427,578	—
Benefits	1,410,803	1,410,803	—
	<u>6,032,853</u>	<u>5,614,226</u>	<u>418,627</u>
Academic support:			
Library	8,683,312	5,514,667	3,168,645
University Media Services	1,402,492	1,289,147	113,345
Student Special Services	205,499	205,499	—
Coordinator of Research	237,936	235,201	2,735
Publications Office	169,076	169,076	—
College Administration	1,950,648	1,950,457	191
Office of Vice Provost for Academic Affairs	214,618	170,445	44,173
Graduate Studies	163,525	163,525	—
Benefits	3,956,496	3,956,496	—
	<u>16,983,602</u>	<u>13,654,513</u>	<u>3,329,089</u>

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures by Function

Year ended June 30, 2007

	Total	Wages and benefits	Other
Student services:			
Student Life	\$ 128,752	128,752	—
Admissions and Financial Aid (a)	1,272,750	1,242,916	29,834
University Registrar	429,948	429,948	—
Counseling and Student Development	84,439	84,439	—
Employee Relations	68,235	68,235	—
Career Services Center	403,134	403,134	—
Foreign Student & Scholar Services	90,737	90,737	—
Benefits	1,000,635	1,000,635	—
	3,478,630	3,448,796	29,834
Operation and maintenance of plant:			
Administration and Supervision	424,505	424,229	276
Building Services	4,108,183	4,108,183	—
Repairs and Maintenance	5,455,159	5,455,006	153
Central Plant Operations	3,917,174	331,274	3,585,900
Grounds Services	1,392,598	1,392,598	—
Facilities Planning & Construction	96,501	96,501	—
Benefits	4,826,191	4,826,191	—
	20,220,311	16,633,982	3,586,329
Institutional support:			
Office of Executive Vice President and University Treasurer	1,415,384	1,415,384	—
Office of Vice President for Administration	1,063,313	1,063,313	—
Office of Vice President for Information Technologies	1,561,156	1,246,556	314,600
University Provost	39,000	39,000	—
Public Safety	1,898,944	1,786,544	112,400
Supporting Services	635,263	635,263	—
Occupational Health and Safety	320,205	320,205	—
Institutional Research & Planning	70,480	70,480	—
Other General Institutional Expense	164,778	164,778	—
Fringe Benefits	2,758,337	2,758,337	—
	9,926,860	9,499,860	427,000
Student Aid – Scholarships	7,414,000	—	7,414,000
Title VI Compliance Scholarships	1,626,600	—	1,626,600
Service Learning Scholarships	25,000	—	25,000
Student Employment Program	127,525	127,525	—
Study Abroad – Delaware Residents	50,000	—	50,000
	9,243,125	127,525	9,115,600
Total educational and general	\$ 122,828,300	103,281,736	19,546,564

Note:

- (a) Includes \$18,000 of Title VI Compliance and \$9,375 of Student Employment Program administrative expenditures.

See accompanying independent auditors' report.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Capital Improvement Appropriations
Year ended June 30, 2007

	<u>Original appropriations</u> (a)	<u>Appropriations expended during the year ended June 30, 2007</u>	<u>Appropriations expended to June 30, 2007</u>	<u>Returned to State of Delaware</u>	<u>Unexpended appropriations at June 30, 2007</u>
Capital improvements:					
Act of 2005:					
MCI/Equipment Supplement	\$ 55,401	55,401	—	—	—
Act of 2007:					
Brown Lab	4,500,000	4,500,000	—	—	—
	<u>\$ 4,555,401</u>	<u>4,555,401</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (a) Appropriated funds for capital improvements does not include \$30,050 of interest earned by the University on capital improvement funds temporarily invested during the year ended June 30, 2007. The University paid to the State of Delaware \$25,164 and has a payable to the State of Delaware of \$4,886.

See accompanying independent auditors' report.